# Financial Transactions and Reports Analysis Centre of Canada

2016–17

**Report on Plans and Priorities**

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The Honourable William Francis Morneau, P.C., M.P.
Minister of Finance

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Catalogue No. FD2-2E-PDF
ISSN 2292-6240

This report is published separately in both official languages.

Copies are available on the FINTRAC
website at http://www.fintrac-canafe.gc.ca

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# Director's Message

I am pleased to present to Parliament and Canadians the 2016–17 Report on Plans and Priorities for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

As Canada's financial intelligence unit, FINTRAC plays a critical role in combatting money laundering, terrorism financing and threats to the security of Canada. Given its unique ability to follow the criminal and terrorist money trail, FINTRAC is a valuable resource for law enforcement, intelligence and national security agencies, the Canada Revenue Agency, the Canada Border Services Agency, and federal public safety policy makers.

In the years ahead, FINTRAC will continue to align its operations, methods and business processes in order to increase operational efficiency and improve the quality of its data holdings. The multi-year plan for the modernization of our analytics system remains our priority. In 2016–17, FINTRAC will pursue investment in a new system to support our analytical work and adopt new business methodologies to improve our ability to balance reliability, completeness and timeliness in the financial intelligence that we disclose to our partners.

We will also implement the legislative changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and associated regulatory amendments. Meant to strengthen Canada's anti-money laundering and anti-terrorism financing efforts, these changes will come to encompass entities dealing in virtual currencies. And, we will continue to reach out to provincial securities regulators to which we can disclose financial intelligence since June 2015.

Finally, we remain committed to working with businesses, anti-money laundering and anti-terrorism financing regime partners, stakeholders and leaders of industry and academia to ensure the threats we face from money laundering and terrorism financing are understood, and to emphasize the shared responsibility we have in protecting Canada and Canadians.

FINTRAC's employees are dedicated to producing high-quality, actionable financial intelligence and are motivated by a common purpose: to ensure the safety and security of Canadians and protect Canada's financial system. I invite you to read this report to learn more about our plans and priorities for the 2016–17 fiscal year.

Gérald Cossette
Director

# Section I: Organizational Expenditure Overview

## Organizational Profile

**Minister:** The Honourable William Francis Morneau, Minister of Finance

**Institutional Head:** Gérald Cossette, Director

**Ministerial Portfolio:** Finance

**Enabling Instrument:** *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, S.C. 2000, c. 17.

**Year of Commencement:** 2000

## Organizational Context

### Raison d'être

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit. The Centre exists to assist in the detection, prevention and deterrence of money laundering and the financing of terrorist activities, while ensuring the protection of personal information under its control. FINTRAC's Financial Intelligence and Compliance programs strive to disrupt the ability of criminals and terrorist groups that seek to abuse Canada's financial system and to reduce the profit incentive of crime.

FINTRAC acts at arm's length and is independent from the law enforcement agencies and other entities to which it is authorized to disclose financial intelligence. It reports to the Minister of Finance, who is in turn accountable to Parliament for the activities of the Centre. FINTRAC was established by, and operates within, the ambit of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its Regulations.

### Responsibilities

FINTRAC is one of several domestic partners in Canada's anti-money laundering and anti-terrorist financing (AML/ATF) regime, which also includes the Department of Finance as the policy and regime lead, the Royal Canadian Mounted Police (RCMP), the Canadian Security Intelligence Service (CSIS), the Canada Revenue Agency (CRA), the Canada Border Services Agency (CBSA), the Office of the Superintendent of Financial Institutions (OSFI), the Public Prosecution Service of Canada, the Department of Justice, and Public Safety Canada. FINTRAC

is also part of the Egmont Group, an international network of financial intelligence units that collaborate and exchange information to combat money laundering and terrorist activity financing.

FINTRAC facilitates the detection, prevention and deterrence of money laundering, and terrorist activity financing by engaging in the following activities:

- Receiving financial transaction reports and voluntary information on money laundering and terrorist activity financing in accordance with the legislation and regulations;
- Safeguarding personal information under its control;
- Ensuring compliance of reporting entities with the legislation and regulations;
- Maintaining a registry of money services businesses in Canada;
- Producing financial intelligence relevant to investigations of money laundering, terrorist activity financing and threats to the security of Canada;
- Researching and analyzing data from a variety of information sources that shed light on trends and patterns in money laundering and terrorist activity financing; and
- Enhancing public awareness and understanding of money laundering and terrorist activity financing.

FINTRAC is headquartered in Ottawa, and its Montréal, Toronto and Vancouver regional offices have specific mandates related to compliance with the PCMLTFA.

## Protecting the Privacy of Canadians

The protection of the personal information entrusted to FINTRAC is an overarching and fundamental consideration in all aspects of the Centre's operations. The PCMLTFA establishes stringent rules that govern both the management and disclosure of information contained in the Centre's transaction reports and other records. All facets of FINTRAC's operations are subject to rigorous security measures that ensure the safeguarding of the Centre's physical premises and IT systems, and include the handling, storage and retention of all personal and other sensitive information under its control.

The legislation also establishes that the Centre can only make a financial intelligence disclosure to prescribed police, law enforcement and security agencies. Furthermore, the PCMLTFA clearly defines what information may be disclosed and sets out specific thresholds that must be met before FINTRAC is able to disclose. Any other disclosure of information is prohibited and can result in severe penalties, including a fine of up to $500,000 and/or up to five years' imprisonment for FINTRAC employees or persons conducting work for or on behalf of FINTRAC.

FINTRAC's premises and information systems are protected by multi-layered and integrated security systems. All personnel including contractors must obtain and maintain security clearance at the highest level of integrity as a condition of employment. Access to sensitive information is on a need-to-know basis. Responsibilities involving the protection of personal information are clearly communicated and measures are in place to ensure that responsibilities in relation to the protection of personal information are formally acknowledged by all personnel.

## Strategic Outcome and Program Alignment Architecture (PAA)

To effectively pursue its mandate, FINTRAC aims to achieve a single Strategic Outcome supported by the Program Activity Architecture (PAA) summarized below.

1 **Strategic Outcome:** *A Canadian financial system resistant to money laundering and terrorist financing*

**1.1 Program:** *Financial Intelligence Program*

**1.2 Program:** *Compliance Program*

**Internal Services**

## Organizational Priorities

**Priority: Implementation of the multi-year plan for the modernization of FINTRAC's analytics system**

**Description:** FINTRAC's existing analytics system is based on a dated design that is increasingly unable to efficiently and effectively meet the demand for the production of financial intelligence. The implementation of the multi-year plan for the modernization of FINTRAC's analytics system will allow FINTRAC to retire legacy financial intelligence systems and licences and replace them with a new analytics system that will be better able to balance reliability, completeness and timeliness in the production of financial intelligence.

**Priority Type:** Previously committed to

Key Supporting Initiatives

| Planned Initiatives | Start Date | End Date | Link to Department's Program Alignment Architecture |
|---|---|---|---|
| • In 2016–17, FINTRAC will continue with the implementation phase of the analytics system modernization project by introducing a first release of the solution for testing, evaluation and training. | 4th Quarter, 2015 | 1st Quarter, 2017 | • Financial Intelligence Program<br>• Internal Services |
| • In 2017–18, following a second release of the solution into production, FINTRAC's new analytical solution is expected to be fully operational. The Centre will then be able to retire its legacy financial intelligence systems and licences. | 1st Quarter, 2017 | 4th Quarter, 2018 | |

**Priority: Implementation of the legislative changes to the PCMLTFA and development of associated regulatory amendments intended to strengthen Canada's AML/ATF regime**

**Description:** In 2016–17, FINTRAC will continue to work closely with the Department of Finance to support the implementation of the legislative changes to the PCMLTFA and the development of associated regulatory amendments to strengthen Canada's AML/ATF regime. The amendments to the PCMLTFA enacted during 2014 and 2015 enhanced FINTRAC's ability to disclose financial intelligence to regime partners on threats to the security of Canada. They also provided FINTRAC with the ability to disclose information to provincial securities regulators when the Centre has reasonable grounds to suspect that the information would be relevant to investigating or prosecuting a money laundering or a terrorist activity financing offence and that it has reasonable grounds to suspect that the information would be relevant to investigating or prosecuting an offence under provincial securities legislation.

**Priority Type:** Previously committed to

Key Supporting Initiatives

| Planned Initiatives | Start Date | End Date | Link to Department's Program Alignment Architecture |
|---|---|---|---|
| • FINTRAC is developing an implementation plan that provides for information technology system changes, guidance and outreach for reporting entities, and the preparation of guidelines. The implementation plan will guide the Centre's activities during the final implementation phase, once the final regulatory amendments are published in the *Canada Gazette*. | Ongoing | Ongoing | • Financial Intelligence Program<br>• Compliance Program<br>• Internal Services |

**Priority: Preparation for the Financial Action Task Force's (FATF) mutual evaluation report on Canada's AML/ATF regime**

**Description:** During the 2016–17 fiscal year, the Financial Action Task Force (FATF) will finalize its mutual evaluation report of Canada's AML/ATF regime. This exercise will be critical for FINTRAC as the mutual evaluation will identify areas of strengths and weaknesses in Canada's AML/ATF regime's technical compliance and effectiveness, and will recommend that FINTRAC and other regime partners take certain steps to improve the regime.

**Priority Type:** Previously committed to

Key Supporting Initiatives

| Planned Initiatives | Start Date | End Date | Link to Department's Program Alignment Architecture |
|---|---|---|---|
| • FINTRAC will continue to assist the Department of Finance in preparing for the FATF discussion of Canada's mutual evaluation report by providing comments, advice and any other required support. | Ongoing | Ongoing | • Financial Intelligence Program<br>• Compliance Program<br>• Internal Services |
| • FINTRAC will also propose possible next steps for addressing the recommendations of the FATF mutual evaluation of Canada. | Ongoing | Ongoing | |

**Priority: Engage with key partners on a future-oriented research agenda to increase the understanding and awareness of money laundering and terrorist financing issues, and to maximize the value of financial intelligence**

**Description:** FINTRAC's financial intelligence supports Canada's broader policing, national security and foreign policy priorities, including in relation to the links between money laundering and criminal activity, and the resourcing of terrorist groups. It is critical that FINTRAC continue to reach out to businesses, regime partners, international and domestic stakeholders and academia to ensure that the role of financial intelligence and the contribution it makes is clearly understood, to emphasize the shared responsibility of all AML/ATF regime partners in protecting Canada and Canadians, and to support Canada's national security priorities.

**Priority Type:** Previously committed to

Key Supporting Initiatives

| Planned Initiatives | Start Date | End Date | Link to Department's Program Alignment Architecture |
|---|---|---|---|
| • FINTRAC will continue to work closely with its AML/ATF regime partners, and will reach out to other stakeholders (e.g., businesses, international partners, academics, etc.), to share expertise on money laundering and terrorism financing. Working closely with these partners will keep FINTRAC aware of their most pressing priorities and will assist in identifying vulnerabilities that may need to be addressed to strengthen the regime. | Ongoing | Ongoing | • Financial Intelligence Program<br>• Compliance Program<br>• Internal Services |
| • FINTRAC will continue to support the Department of Finance, the lead in Canada's AML/ATF regime, through its assessments of potential vulnerabilities and opportunities, in order to evaluate potential enhancements to the AML/ATF regime. The consideration of these | Ongoing | Ongoing | |

| | | | |
|---|---|---|---|
| potential regime enhancements will be done in close collaboration with regime partners. | | | |

**Priority: Strengthen leadership capacity across the Centre to support key modernization and people management initiatives**

**Description:** In addition to delivering on the Centre's mandate, FINTRAC will be implementing a number of significant transformational initiatives over the planning period. To be successful, FINTRAC will need to continue to attract and maintain an engaged workforce with the leadership strength, expertise and skills to deliver on operational priorities as well as to adapt to the Centre's evolving business context. FINTRAC is also committed to responding to the results of the 2014 Public Service Employee Survey and contributing to the modernization of the Public Service through Blueprint 2020. To succeed in these initiatives, it will be essential for the Centre to strengthen leadership capacity not only within the executive cadre but at all levels of the organization.

**Priority Type:** Previously committed to

Key Supporting Initiatives

| Planned Initiatives | Start Date | End Date | Link to Department's Program Alignment Architecture |
|---|---|---|---|
| • FINTRAC's leadership competencies are integrated throughout its People Management Framework. In 2016–17, FINTRAC's leadership capacity will continue to be strengthened through engagement, learning and performance management activities, supported by appropriate policies, programs and tools, including optimized recruitment strategies. | Ongoing | Ongoing | • Financial Intelligence Program<br>• Compliance Program<br>• Internal Services |
| • FINTRAC will also continue to employ an integrated approach to its recruitment, learning, engagement and performance management | Ongoing | Ongoing | |

| | | | |
|---|---|---|---|
| activities that help strengthen the Centre's capacity for business performance. | | | |

**Priority: Continue to strengthen the Centre's approach to its security posture to ensure a high level of assurance that information, assets, and services are protected against compromise**

**Description:** In accordance with the PCMLTFA, the safeguarding of information entrusted to FINTRAC is an overarching and fundamental consideration in all aspects of the Centre's operations. The protection of information, assets, and services against compromise is critical to maintaining Canadians' confidence in FINTRAC and the broader AML/ATF regime.

**Priority Type:** Previously committed to

Key Supporting Initiatives

| Planned Initiatives | Start Date | End Date | Link to Department's Program Alignment Architecture |
|---|---|---|---|
| • Continue to implement measures to strengthen personnel, physical, information and information technology security programs that support establishing a high level of assurance that information, assets, and services are effectively protected against compromise. | Ongoing | Ongoing | • Financial Intelligence Program<br>• Compliance Program<br>• Internal Services |
| • Continue to collaborate closely with Shared Services Canada to evaluate and implement targeted security enhancements that will align with FINTRAC operational and security requirements. | Ongoing | Ongoing | |

For more information on organizational priorities, see the Minister of Finance's mandate letter on the Prime Minister of Canada's website.[i]

## Risk Analysis

FINTRAC operates in a dynamic environment that constantly changes. With these changes come unpredictability, uncertainty, and ultimately risk. FINTRAC defines risk as the uncertainty that surrounds future events and outcomes. It is something that may or may not happen, which must be taken into account during decision-making at all organizational levels.

In recent years, FINTRAC has broadened its understanding of the corporate risks associated with its operational environment. In general, these risks are well identified, and the associated risk response activities are integrated and stable. While the risk remains, the risk management strategies currently employed aim to reduce the probability of occurrence and provide a greater level of comfort with the remaining risk exposure.

FINTRAC's planning approach to the identification, assessment and management of risks supports the use of risk information on a systematic and continuous basis and allows for oversight and collaboration in managing common risk elements. The following is an analysis of the four risk areas that FINTRAC's 2015 corporate risk profile identified as having the greatest significance to FINTRAC in relation to achieving its objectives along with highlights of the Centre's risk management strategies.

### Key Risks

| Risk | Risk Response Strategy | Link to Program Alignment Architecture |
|---|---|---|
| **Relationships** – FINTRAC depends on relationships with external partners to advance its priorities and initiatives and maximize its value to Canadians. | FINTRAC has mechanisms in place to align its work with the priorities of its partners; however partner organizations may alter their priorities at any time. In the case of law enforcement and national security partners, shifts in investigative priorities may impact the usefulness of FINTRAC disclosures. In other instances, partners' operational priorities may have an impact on FINTRAC's ability to implement its own priority initiatives. To ensure FINTRAC manages these relationship risks effectively, the Centre employs a number of controls including:<br>• FINTRAC works with law enforcement and national security partners to build and maintain relationships, to ensure that priorities are understood and aligned, and to gather feedback.<br>• FINTRAC maintains a trained | • Compliance Program<br>• Financial Intelligence Program<br>• Internal Services |

| | | |
|---|---|---|
| | complement of Compliance Officers having functional relationships with reporting entities, industry associations and other regulators and supervisors.<br>• FINTRAC engages with domestic and international partners to support business strategies and processes (services / training / outreach).<br>• Through participation in discussions with the Department of Finance and other AML/ATF regime partners; the Financial Action Task Force; and the Egmont Group, FINTRAC contributes to the exchange of knowledge and supports efforts to strengthen Canada's AML/ATF policy frameworks. | |
| **Security and Privacy** – The protection of information that FINTRAC receives, analyzes and discloses is an integral part of the Centre's mandate. | FINTRAC employs a comprehensive suite of safeguards and controls to address security and privacy risk from both internal and external threats. Some of the most important of these include:<br>• FINTRAC's Personnel Security Program ensures that all personnel and contractors are screened to appropriate levels.<br>• Security policies and procedures, and mandatory training and awareness activities are established to secure the Centre's information and systems. Access controls are also implemented to secure FINTRAC's infrastructure.<br>• A Privacy Management Framework is in place to ensure that privacy protection is reflected in all aspects of program operations.<br>• Information Management and Security programs provide direction and guidance on the capture, storage, protection, access to, classification, dissemination and eventual disposition of all information at FINTRAC. | • Internal Services |

| | | |
|---|---|---|
| **Resource Management** – FINTRAC's ability to successfully deliver its programs is directly linked to the adaptability, skills and engagement of its employees, and the tools and resources that are available to support their work. | FINTRAC places a strong focus on the effective management of both human and financial resources especially during periods of change and transformation. As a small organization, FINTRAC faces a number of challenges and limitations regarding its human resources capacity and its flexibility to cash manage funds. To ensure that FINTRAC is able to manage its resource management risks and ensure the effective stewardship of public resources, the Centre employs a range of controls, including:<br>• Budget and resource allocations to sectors/directorates/initiatives established by the Centre's Executive Committee, representing the most senior level of executive management;<br>• Guidance of the Chief Human Resources Officer and the Chief Financial Officer – as members of FINTRAC's Executive Committee and as leaders of robust frameworks of people and financial management; and<br>• HR planning strategies that include annual demographics analysis and staffing forecasts to anticipate and respond to capacity and change management issues. | • Compliance Program<br>• Financial Intelligence Program<br>• Internal Services |
| **Business Processes and Systems** – FINTRAC's ability to deliver its mandate is dependent on the availability and use of key business processes and systems, many of which are currently undergoing transformation. | Until the completion of the Analytics Modernization Project, FINTRAC will continue to rely on existing, aging infrastructure for the analysis and production of financial intelligence. As FINTRAC's infrastructure is now an asset of Shared Services Canada (SSC), FINTRAC works closely with SSC to ensure uninterrupted availability of its analytical systems and business processes during the transformation period. To address ongoing risks, FINTRAC employs a number of important safeguards and controls, including:<br>• Optimizing the use of existing systems and tools through training and awareness, and enhanced internal communications;<br>• Conducting technical analysis to | • Compliance Program<br>• Financial Intelligence Program<br>• Internal Services |

| | | |
|---|---|---|
| | ensure the Centre has the tools and resources required to address day-to-day operational issues and to provide input into future business processes and systems;<br>• Focusing on strategic planning and management of the ongoing Analytics Modernization Project to ensure delivery of a timely solution; and<br>• Leveraging SSC's support and expertise on all information technology related initiatives including SSC Workload Migration, Analytics modernization implementation, Email Transformation Initiative and the broader Government of Canada Business Continuity maintenance and recovery strategy. | |

## Planned Expenditures

### Budgetary Financial Resources (dollars)

| 2016–17 Main Estimates | 2016–17 Planned Spending | 2017–18 Planned Spending | 2018–19 Planned Spending |
|---|---|---|---|
| 56,697,062 | 59,662,547 | 51,747,876 | 51,140,766 |

### Human Resources (Full-Time Equivalents [FTEs])

| 2016–17 | 2017–18 | 2018–19 |
|---|---|---|
| 364 | 365 | 366 |

### Budgetary Planning Summary for Strategic Outcome and Programs (dollars)

| Strategic Outcome, Programs and Internal Services | 2013–14 Expenditures | 2014–15 Expenditures | 2015–16 Forecast Spending | 2016–17 Main Estimates | 2016–17 Planned Spending | 2017–18 Planned Spending | 2018–19 Planned Spending |
|---|---|---|---|---|---|---|---|
| Strategic Outcome: A Canadian financial system resistant to money laundering and terrorist financing | | | | | | | |
| **Financial Intelligence Program** | 21,668,241 | 20,873,133 | 25,121,180 | 26,976,466 | 28,387,444 | 22,752,065 | 22,027,100 |
| **Compliance Program** | 21,702,134 | 21,678,510 | 22,370,591 | 22,350,495 | 23,519,516 | 21,576,601 | 21,696,360 |
| **Subtotal** | 43,370,375 | 42,551,643 | 47,491,771 | 49,326,961 | 51,906,960 | 44,328,666 | 43,723,460 |
| **Internal Services** | 8,333,808 | 8,852,787 | 7,527,702 | 7,370,101 | 7,755,587 | 7,419,210 | 7,417,306 |
| **Total** | 51,704,183 | 51,404,430 | 55,019,473 | 56,697,062 | 59,662,547 | 51,747,876 | 51,140,766 |

As announced in *Budget 2014*, FINTRAC received funding to implement legislative amendments and to modernize its analytical system. The approved funding profile for legislative amendments is $1,747,592 in 2015–16, $2,050,750 in 2016–17, $1,028,014 in 2017–18 and $1,153,168 in 2018–19. The approved funding profile for analytical system modernization is $3,839,764 in 2015–16, $5,907,882 in 2016–17, $1,258,462 in 2017–18 and $538,892 in 2018–19.

Planned spending for all three years includes an estimate for the Reimbursement of Eligible Paylist Expenditures. Planned spending for FY 2016–17 includes an estimate for the Operating Budget Carry-Forward (OBCF).

## Alignment of Spending With the Whole-of-Government Framework

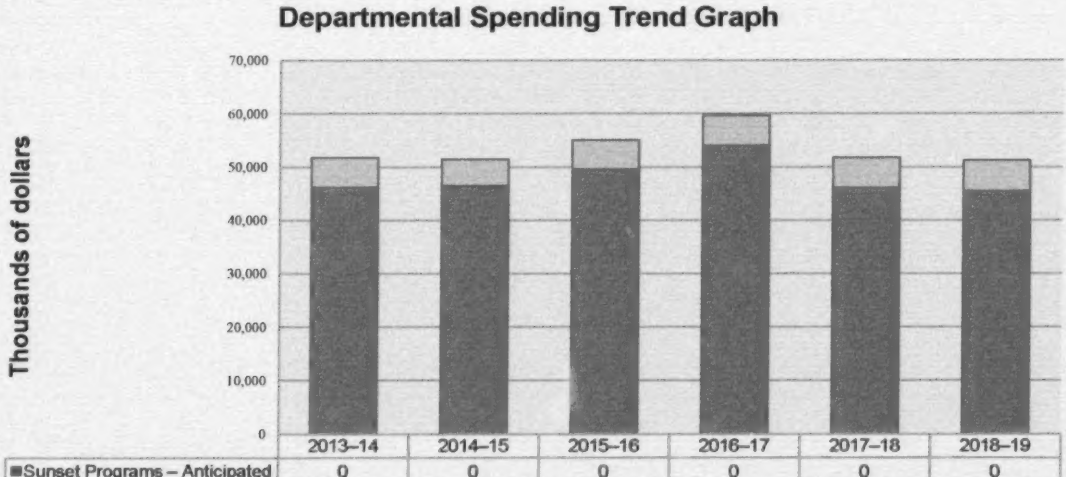
### Alignment of 2016–17 Planned Spending With the Whole-of-Government Framework[ii] (dollars)

| Strategic Outcome | Program | Spending Area | Government of Canada Outcome | 2016–17 Planned Spending |
|---|---|---|---|---|
| 1 A Canadian financial system resistant to money laundering and terrorist financing | 1.1 Financial Intelligence Program | Social Affairs | A Safe and Secure Canada | 28,387,444 |
| | 1.2 Compliance Program | Social Affairs | A Safe and Secure Canada | 23,519,516 |

### Total Spending by Spending Area (dollars)

| Spending Area | Total Planned Spending |
|---|---|
| Economic affairs | |
| Social affairs | 51,906,960 |
| International affairs | |
| Government affairs | |

## Departmental Spending Trend




| | 2013–14 | 2014–15 | 2015–16 | 2016–17 | 2017–18 | 2018–19 |
|---|---|---|---|---|---|---|
| Sunset Programs – Anticipated | 0 | 0 | 0 | 0 | 0 | 0 |
| Statutory | 5,523 | 4,987 | 5,496 | 5,655 | 5,671 | 5,688 |
| Voted | 46,181 | 46,418 | 49,524 | 54,008 | 46,076 | 45,453 |
| Total | 51,704 | 51,404 | 55,019 | 59,663 | 51,748 | 51,141 |

**Actual Spending (2013–14 and 2014–15)**

The resources available for spending in 2013–14 and 2014–15 were $53,288,233 and $52,558,499, respectively. Resources available for spending decreased by $729,734 from 2013–14 to 2014–15 primarily as a result of:

- The funding profile of resources received via *Budget 2010* (a decrease of $2.0M from 2013–14 to 2014–15); and
- The funding profile of resources received via *Budget 2014* to implement legislative amendments and modernize the analytical system (an increase of $1.3M from 2013–14 to 2014–15).

Actual spending for 2013–14 was $51,704,183 and 2014–15 was $51,404,430.

**Forecast Spending (2015–16)**

Forecasted spending for 2015–16 is $55,019,473.

FINTRAC's overall spending is expected to increase compared to 2014–15 commensurate with the organization's increase in authorities due to the profile of funds received via *Budget 2014*. In 2015–16, FINTRAC received $0.9M in additional funds to implement legislative amendments and $3.4M in additional funds to modernize the analytical system compared to 2014–15.

**Planned Spending (2016–17 to 2018–19)**

Planned spending is expected to be $59,662,547 in 2016–17 and $51,747,876 in 2017–18, a decrease of $7,914,671. Planned spending is lower in 2017–18 primarily due to:

- the exclusion of an estimate for the Operating Budget Carry-Forward ($2.2M); and
- decreased funding via *Budget 2014* in 2017–18 ($5.7M).

Planned spending is expected to be $51,747,876 in 2017–18 and $51,140,766 in 2018–19, a decrease of $607,110. Planned spending is lower in 2018–19 due to the profile of funds received via *Budget 2014*.

## Estimates by Vote

For information on FINTRAC's organizational appropriations, consult the 2016–17 Main Estimates on the Treasury Board of Canada Secretariat website.[iii]

# Section II: Analysis of Programs by Strategic Outcome

## Strategic Outcome: A Canadian financial system resistant to money laundering and terrorist financing

### Program 1.1: Financial Intelligence Program

**Description**

FINTRAC's Financial Intelligence Program, mandated by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), is a component of the broader national security and anti-crime agenda. The program strives to disrupt the ability of criminals and terrorist groups that seek to abuse Canada's financial system and to reduce the profit incentive of crime. The main method of intervention used by the program is to analyze reported financial transactions and other information the Centre is authorized to receive under the PCMLTFA to produce financial intelligence products including tactical case disclosures and strategic intelligence products that are relevant to the investigation, prosecution or understanding of money laundering and terrorist financing activities.

Budgetary Financial Resources (dollars)

| 2016–17 Main Estimates | 2016–17 Planned Spending | 2017–18 Planned Spending | 2018–19 Planned Spending |
|---|---|---|---|
| 26,976,466 | 28,387,444 | 22,752,065 | 22,027,100 |

Human Resources (FTEs)

| 2016–17 | 2017–18 | 2018–19 |
|---|---|---|
| 150 | 150 | 150 |

Performance Measurement

| Expected Results | Performance Indicators | Targets | Date to Be Achieved |
|---|---|---|---|
| Disclosures of financial intelligence make an important contribution to investigations of money laundering and terrorist financing. | Percentage of disclosure recipients indicating disclosure provided information that was helpful to the investigation. | 70% | 2016–17 |
| | Percentage of disclosure recipients indicating that | 50% | 2016–17 |

| | | | |
|---|---|---|---|
| | information provided was actionable. | | |
| Strategic financial intelligence products align with the priorities of investigators, intelligence analysts, policy and decision-makers. | Percentage of primary recipients indicating increased awareness and understanding of ML/TF subject matter as a result of FINTRAC's strategic financial intelligence products. | 75% | 2016–17 |

**Planning Highlights**

FINTRAC provides actionable financial intelligence, including case disclosures that assist in investigations of suspected money laundering, terrorism financing, and other threats to the security of Canada. In addition, the Centre supports the priorities of the AML/ATF and national security policy-making communities, domestic regime partners, and the broader security and intelligence community.

FINTRAC case disclosures contain designated information that identifies individuals and entities, as well as account and transaction information, where the Centre has reasonable grounds to suspect that the information would be relevant to the investigation and prosecution of money laundering or terrorist activity financing offences or the investigation of threats to the security of Canada. This financial intelligence is used to assist money laundering and terrorist activity financing investigations in the context of a wide variety of criminal investigations, where the origins of the suspected criminal proceeds are linked to drug trafficking, fraud, tax evasion, corruption, and other criminal offences.

Increasingly, FINTRAC's financial intelligence is also used by investigative partners to identify assets for seizure and forfeiture, reinforce applications for the listing of terrorist entities, negotiate agreements at the time of sentencing and advance the government's knowledge of the financial dimensions of threats, organized crime and terrorism.

FINTRAC also produces valuable strategic financial intelligence, providing a wide analytic perspective on the nature, scope and threat posed by money laundering and terrorism financing. Produced for the Canadian security and intelligence community, federal policy and decision-makers, reporting entities across the country, international partners and other stakeholders, the Centre's strategic financial intelligence is invaluable in strengthening Canada's ability to prevent, detect, deter and disrupt the methods and techniques used by criminals to launder money or fund terrorist activities.

FINTRAC's Financial Intelligence Program encompasses all of the Centre's financial intelligence activities. These activities are complemented by research, partnership and government relationship activities, both domestically and internationally.

In order to achieve the expected results for 2016–17, FINTRAC plans to undertake the following activities during the planning period:

- Continue to produce quality financial intelligence that addresses the needs and priorities of investigative and intelligence partners.
- Identify and communicate money laundering and terrorist financing trends, methods, and issues.
- Maintain and enhance relationships, both domestically and internationally, that strengthen FINTRAC's role in combating money laundering and terrorism financing.
- Continue to engage with FINTRAC's law enforcement, national security and international partners to improve the level and quality of feedback the Centre receives.
- Provide FINTRAC's intelligence analysts with customized tools and training by modernizing the technological infrastructure and adopting new practices and methods that support the Centre's ability to produce high-quality financial intelligence.

## Program 1.2: Compliance Program

### Description

FINTRAC's Compliance Program is responsible for ensuring compliance with Part 1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and associated Regulations. The Compliance Program utilizes a risk-based approach to deliver enforcement, and relations and support activities that help ensure compliance with legislative and regulatory obligations that apply to individuals and entities operating in Canada's financial system.

Budgetary Financial Resources (dollars)

| 2016–17 Main Estimates | 2016–17 Planned Spending | 2017–18 Planned Spending | 2018–19 Planned Spending |
|---|---|---|---|
| 22,350,495 | 23,519,516 | 21,576,601 | 21,696,360 |

Human Resources (FTEs)

| 2016–17 | 2017–18 | 2018–19 |
|---|---|---|
| 161 | 162 | 163 |

Performance Measurement

| Expected Results | Performance Indicators | Targets | Date to Be Achieved |
|---|---|---|---|
| Non-compliance among reporting entities is detected and addressed. | Percentage of cases where corrective actions taken are commensurate with the level of non-compliance detected. | 100% | 2016–17 |
| Entities have access to timely and accurate information. | Percentage of general inquiries answered within established timeframes. | 90% | 2016–17 |

**Planning Highlights**

FINTRAC's Compliance Program promotes the concept of "Compliance for Intelligence" in its operational and strategic decision-making. This concept recognizes that the overall effectiveness of Canada's AML/ATF regime, including the financial intelligence that is produced, is dependent upon reporting entities submitting high quality and timely financial transaction reports.

Integrated within the "compliance for intelligence" concept is FINTRAC's risk-based approach to compliance, which sees more resources directed at higher-risk reporting entities and ensures that all compliance activities are proportionate given the likelihood and the consequence of non-compliance. A reporting entity's likelihood of non-compliance is based on several factors surrounding their business profile, compliance history, reporting behaviour, and other intelligence from internal and external sources. The measures for the potential consequence of non-compliance look at a reporting entity's vulnerabilities to money laundering and terrorist financing along with the overall impact on Canada's financial system should an entity not comply with its PCMLTFA obligations. This in-depth understanding of the risks is used to ensure that compliance activities are proportionate and focused in areas assessed to be at higher risk of non-compliance.

To ensure compliance with the PCMLTFA and the production of actionable financial intelligence, FINTRAC undertakes a suite of risk-based activities including guidance, feedback, assessment and enforcement actions based on a sector's level of knowledge regarding its obligations and past compliance behaviour. The intensity of activity is based on the risks associated with non-compliance. Activities are categorized into two main themes:

- Enabling Compliance: To ensure reporting entities receive effective guidance and feedback, and to help them fully understand their legal obligations, FINTRAC participates in numerous speaking events, presentations and workshops, as well as provides a comprehensive set of guidance tools, including guidelines on its website. Reporting entities and other stakeholders can also request policy interpretations with respect to the PCMLTFA and Regulations administered by FINTRAC, based on their own specific situations and set of facts. Lastly, FINTRAC also provides reporting entities with guidance and feedback on their reports submitted, thus enabling clarity surrounding the PCMLTFA and associated Regulations.
- Assessing and Enforcing Compliance: To assess compliance, FINTRAC relies on tailored examinations, follow-up examinations, compliance assessment reports, observation letters, validation reviews, and the monitoring of financial transaction reports. When a reporting entity is found to be non-compliant after an examination, or when it remains non-compliant after all remedial avenues have been exhausted,

FINTRAC can impose an administrative monetary penalty (AMP) to encourage change in non-compliant behaviour. An AMP is levied as an enforcement tool when FINTRAC determines that it is the most appropriate course of action available to address a reporting entity's non-compliance. In cases where there is extensive non-compliance or little expectation of immediate or future compliance, a non-compliance disclosure may be provided to law enforcement.

During the planning period, FINTRAC will undertake the following activities to support the Centre's compliance priorities:

- Execute assessment and enforcement activities based on internal risk assessment and other analysis to ensure reporting entities address any detected non-compliance in a timely manner, which may include the use of AMPs or non-compliance disclosures to law enforcement.
- Maintain oversight and added awareness on increasingly complex AMP files stemming from focused assessment and enforcement activities, including joint initiatives with regime partners.
- Build upon the Centre's risk-based compliance strategies by further refining the compliance risk model and incorporating research and analytics into Compliance Program operations.
- Pursue opportunities to deliver active monitoring activities to identify, prioritize, address, and escalate issues with reports received by FINTRAC that will enhance data integrity and ensure that reporting data is the best possible for analysis and the production of financial intelligence.
- Provide accurate, clear, and consistent technical support as well as feedback and guidance to reporting entities to facilitate quality and timely reporting.
- Leverage technology to provide enhanced self-service tools to support reporting entity compliance with PCMLTFA obligations, including new requirements imposed by legislative and regulatory amendments.

## Internal Services

### Description

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal Services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Budgetary Financial Resources (dollars)

| 2016–17 Main Estimates | 2016–17 Planned Spending | 2017–18 Planned Spending | 2018–19 Planned Spending |
|---|---|---|---|
| 7,370,101 | 7,755,587 | 7,419,210 | 7,417,306 |

Human Resources (FTEs)

| 2016–17 | 2017–18 | 2018–19 |
|---|---|---|
| 53 | 53 | 53 |

### Planning Highlights

FINTRAC's Internal Services support the Centre's Financial Intelligence and Compliance programs. They are focused on the development and delivery of effective services, policies, advice and guidance in the fields of finance, human resources, security, communication, procurement, administration, and information management and information technology. The overall objective of the program is to ensure that FINTRAC has the proper capacity, processes and systems to allow its workforce to focus on and perform well in meeting their operational objectives.

Over the planning period, Internal Services will focus on activities that leverage advancements in information technology, enhance the leadership capacity of FINTRAC's workforce, and strengthen the Centre's security posture to ensure that its information, assets and services are protected against compromise. To realize these objectives, FINTRAC will undertake the following activities:

- Complete engagement and action planning based on results of the 2014 Public Service Employee Survey and contribute to Public Service modernization through Blueprint 2020.
- Review organizational structures and realign where necessary to support current and emerging business needs in a way that facilitates efficient and effective program delivery.
- Contribute to Government of Canada enterprise-wide technology initiatives by preparing for migration of the Centre's pay and human resources systems.
- Collaborate with Shared Services Canada to ensure that FINTRAC's particular security needs are fully considered during implementation of Government of Canada enterprise-wide technology initiatives, including the Email Transformation Initiative.
- Continue to enhance personnel, physical, and information security programs in order to protect information, assets, and services against compromise.
- Review and update corporate policies and practices in support of FINTRAC business priorities and Government of Canada policies, legislation and initiatives.

# Section III: Supplementary Information

## Future-Oriented Statement of Operations

The future-oriented condensed statement of operations presented in this section is intended to serve as an overview of FINTRAC's operations. The forecasted financial information on expenses and revenues are prepared on an accrual accounting basis to strengthen accountability and to improve transparency and financial management.

Because the Future-Oriented Condensed Statement of Operations is prepared on an accrual accounting basis, and the forecast and planned spending amounts presented in other sections of the Report on Plans and Priorities are prepared on an expenditure basis, amounts may differ.

A detailed FINTRAC's future oriented statement of operations and associated notes, including a reconciliation of the net costs of operations to the requested authorities, can be found in the publications section of FINTRAC's website.[iv]

### Future-Oriented Condensed Statement of Operations
### For the Year Ended March 31, 2016
### (in thousands of dollars)

| Financial Information | 2015–16 Estimated Results | 2016–17 Planned Results | Difference (2016–17 Planned Results minus 2015–16 Forecast Results) |
|---|---|---|---|
| Total expenses | 54,677 | 55,263 | 586 |
| Total revenues | - | - | - |
| Net cost of operations before government funding and transfers | 54,677 | 55,263 | 586 |

FINTRAC is projecting approximately $55.3M in expenses based on 2016–17 Main Estimates, estimated allocations from Treasury Board central votes, and accrued information. Amounts for 2016–17 do not include Supplementary Estimates and represent an increase of $0.6M from 2015–16 results. The estimated increase in expenses in 2016–17 is due to the projection of a nil budgetary lapse, an increase in funding related to analytics modernization and legislative amendments, as well as other technical adjustments. As FINTRAC's revenues consist of only non-respendable amounts for Administrative Monetary Penalties, total revenues are presented as nil.

## Supplementary Information Tables

The supplementary information tables listed in the *2016–17 Report on Plans and Priorities* can be found on FINTRAC's website.

- Departmental Sustainable Development Strategy
- Upcoming Internal Audits and Evaluations Over the Next Three Fiscal Years

## Tax Expenditures and Evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations*[v] publication. The tax measures presented in the *Tax Expenditures and Evaluations* publication are the responsibility of the Minister of Finance.

# Section IV: Organizational Contact Information

**Financial Transactions and Reports Analysis Centre of Canada**

234 Laurier Avenue West
Ottawa, Ontario K1P 1H7
Canada

Telephone: 1-866-346-8722

Fax: 613-943-7931

Website: http://www.fintrac-canafe.gc.ca/intro-eng.asp

# Appendix: Definitions

**appropriation:** Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

**budgetary expenditures:** Include operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

**Departmental Performance Report:** Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Reports on Plans and Priorities. These reports are tabled in Parliament in the fall.

**full-time equivalent:** Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

**Government of Canada outcomes:** A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

**Management, Resources and Results Structure:** A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

**non-budgetary expenditures:** Include net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

**performance:** What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve and how well lessons learned have been identified.

**performance indicator:** A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

**performance reporting:** The process of communicating evidence-based performance information. Performance reporting supports decision-making, accountability and transparency.

**planned spending:** For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

**plans:** The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

**priorities:** Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

**program:** A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

**Program Alignment Architecture:** A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

**Report on Plans and Priorities:** Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

**results:** An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

**Strategic Outcome:** A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

**sunset program:** A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

**target:** A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

**whole-of-government framework:** Maps the financial contributions of federal organizations receiving appropriations by aligning their programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

# Endnotes

i. **Prime Minister of Canada's website,** http://pm.gc.ca/eng/ministerial-mandate-letters
ii. **Whole-of-government framework,** http://www.tbs-sct.gc.ca/hgw-cgf/finances/rgs-erdg/wgf-ipp-eng.asp
iii. **2016–17 Main Estimates,** http://www.tbs-sct.gc.ca/hgw-cgf/finances/pgs-pdg/gepme-pdgbpd/index-eng.asp
iv. **FINTRAC's Corporate Publications,** http://www.fintrac-canafe.gc.ca/publications/pub-eng.asp
v. ***Tax Expenditures and Evaluations* publication,** http://www.fin.gc.ca/purl/taxexp-eng.asp